

Stichting Cardano Development
Rotterdam
Annual report 2015

Stichting Cardano Development, Rotterdam

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GENERAL

Report of the Board of Trustees

Stichting Cardano Development, a Dutch foundation with charitable status (“ANBI”), was established in March 2013. We acquired Cardano Development B.V. from Cardano Holding B.V. at book value. This was motivated by improving our governance structure and transparency for our work in developing countries in partnership with leading developing financial institutions. Cardano Holding supports the Foundation financially with a long term subordinated loan to ensure our financial viability, and an additional grant. Cardano Holding is also supporting the Stichting with offices and some back office support.

Believes of the Cardano Group

Our roots are in understanding the causes and impact of risk, and how this can be used to significantly improve financial resilience.

On a broader level, we want to educate the wider market about the importance of financial risk and how, when well-managed, it can benefit society as a whole. That’s why we believe in sharing our views on risk and its many causes. We believe that many human behavioural biases present an obstacle to sound financial decision-making. Widely acknowledged traits, such as overconfidence, or the tendency to ignore evidence that leads to uncomfortable conclusions, often lead institutions to take too much risk and so drift towards fragility. Through the right combination of education, risk management, and an effective link between strategy and implementation, we believe that financial institutions can become resilient to financial shocks. The compound effect of doing this is greater stability in the overall financial system and for society as a whole.

About Cardano Development

The Cardano philosophy is applied to our work in developing markets through the legal entity Cardano Development since 2010, legally separated since March 2013 in Stichting Cardano Development. We are committed to helping frontier economies develop and prosper. Our goal is to address particular financial and risk-based challenges faced in frontier markets:

- For an economy to develop and prosper households, companies, financial institutions and the public sector need access to sustainable, inclusive financial markets;
- There are often structural gaps which means that financial solutions, available elsewhere in developed economies, are unavailable or inaccessible to most of those operating in these markets;
- There are increased levels of political, economic and environmental risk that affect the resilience of these individuals and organizations, and the ability and/or willingness of third-parties to participate in

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these economies.

We believe that providing individuals and organizations in frontier economies with stronger and deeper financial markets, and innovative solutions that decrease risk and create resilience will help them achieve sustainable growth which, in turn, will further develop their local economies.

Strategy

Cardano Development's aim is to develop and act as a catalyst for establishing scalable solutions. We use our expertise in risk management to develop a sound market-based approach. We seek to leverage the strengths and financial clout of the various existing institutions active in developing countries, including official donors, development finance institutions and the private sector.

Our own role is three-fold. We apply our expertise in risk and financial markets; we use our network to identify those opportunities with the potential to make the biggest development impact; and we aim to be the incubator in partnership with others to realize operationally and financially sustainable solutions to the identified market gaps.

All Cardano Development initiatives have the following characteristics:

- Addressing a systemically important market gap in frontier markets;
- Applying a state-of-the-art financial approach to markets, risk management and operational effectiveness;
- The solution is scalable to become relevant on a macro-economic level;
- Financially sustainable (on a level as required by its financial partners).

Internal risk control & regulatory requirements

Stichting Cardano Development is the beneficial owner of Cardano Development B.V. We currently do not perform any operational activities other than governing Cardano Development B.V. The governance role of the Board of Trustees is formalised by them being the Supervisory Board members of Cardano Development B.V.

Rotterdam, 7 October 2016

Chairman of the Board
Theo Kocken

Treasurer of the Board
Jaap Koelewijn

Vice-Chairman of the Board
Arjan Erkel

FINANCIAL STATEMENTS

Stichting Cardano Development, Rotterdam

BALANCE SHEET AS AT 31 DECEMBER 2015

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	€	€	€	€
ASSETS				
FIXED ASSETS				
Financial fixed assets				
Participations in Cardano Development B.V.	1	1.076.615	491.535	
Other amounts receivable	2	<u>1</u>	<u>1</u>	
		1.076.616	491.536	
CURRENT ASSETS				
Receivables				
Receivables from associated companies	3	418.011	475.142	
Cash and cash equivalents				
Rabobank		71	347	
		<u>1.494.698</u>	<u>967.025</u>	

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		<u>31 December 2015</u>		<u>31 December 2014</u>	
		€	€	€	€
LIABILITIES					
Equity	4		634.474		15.162
Long-term liabilities					
Subordinated loans	5		800.000		898.685
Short-term liabilities					
Other liabilities and accrued expenses	6		60.224		53.178
			<u>1.494.698</u>		<u>967.025</u>

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STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2015

		2015		2014	
		€	€	€	€
Income	7		98.685		100.000
Other operating expenses	8		<u>10.237</u>		<u>14.329</u>
Operating result			88.448		85.671
Financial income and expense	9		<u>-54.216</u>		<u>-53.938</u>
Result from ordinary activities			34.232		31.733
Share in result from participations	10		<u>-614.920</u>		<u>-461.772</u>
Net result			<u><u>-580.688</u></u>		<u><u>-430.039</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

General

The financial statements have been prepared according to Title 9, Book 2 BW of the Netherlands Civil Code. For foundations article 2:10 BW is applicable instead of Titel 9, Book 2 BW. However, if a foundation holds subsidiaries with substance, we apply Title 9 Book 2 BW.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise, the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Activities

The activities of Stichting Cardano Development are maintaining its interest in Cardano Development B.V. and helping to develop democratization of financial markets on a global scale.

ANBI

As of 19 March 2013 Stichting Cardano Development acquired its ANBI status. ANBI is also described as a Public welfare institution.

Consolidation

Cardano Development B.V. is a 100% subsidiary of Stichting Cardano Development and a group company, but excluded from the consolidation in accordance article 2:407 2a BW.

Currency

The presentation and functional currency in this report is EURO.

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Accounting policies in respect of the valuation of assets and liabilities

Financial fixed assets

The group company subsidiaries are valued at net equity value.

Financial assets are carried at cost and the investor recognizes its share of the profits and losses of the investee in the periods when these profits and losses occur.

Accounts receivable

Upon initial recognition the receivables are included at fair value and then valued at amortised cost. The fair value and amortized cost equal the face value. Any provision for doubtful accounts deemed necessary is deducted. These provisions are determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents are stated at face value. Unless indicated otherwise, they are at the company's free disposal.

Long term liabilities

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized.

Short term liabilities

Trade payables are not interest bearing and are stated at their nominal value.

Amounts due to group companies are measured ad face value.

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Accounting policies in respect of result determination

General

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Income

Income represents amounts received during the financial year reported on, net of discounts and value added taxes.

Other operating expenses

Expenses are based on the historical cost convention and attributed to the financial year to which they pertain.

Net financial result

Interest income or expenses is the interest received or receivable, respectively paid or due to third parties.

Result from participations in group and affiliated companies

Where significant influence is exercised over participations, the group's share in the participations' result is included in the statement of income and expenses.

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NOTES TO THE BALANCE SHEET

FIXED ASSETS

Financial fixed assets

	<u>31-12-2015</u>	<u>31-12-2014</u>
	€	€
1 Participations in Cardano Development B.V.		
Cardano Development B.V.	<u>1.076.615</u>	<u>491.535</u>

Stichting Cardano Development holds a 100% interest in Cardano Development B.V. at Rotterdam.

	<u>2015</u>	<u>2014</u>
	€	€
Cardano Development B.V.		
Balance as at 1 January		
Cardano Development B.V.	<u>491.535</u>	<u>953.307</u>
Book value as at 1 January	<u>491.535</u>	<u>953.307</u>
Movements		
Share premium	1.200.000	-
Result annual year	<u>-614.920</u>	<u>-461.772</u>
Balance movements	<u>585.080</u>	<u>-461.772</u>
Balance as at 31 December		
Cardano Development B.V.	<u>1.076.615</u>	<u>491.535</u>
Book value as at 31 December	<u>1.076.615</u>	<u>491.535</u>

Stichting Cardano Development provided Cardano Development B.V. with a share premium contribution in 2015 ad. € 1,2 million.

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	<u>31-12-2015</u>	<u>31-12-2014</u>
	€	€
2 Other amounts receivable		
Echo project	<u>1</u>	<u>1</u>

In July 2013 the Board of Stichting Cardano Development approved the development of a strategic partnership with the Shell Foundation with the objective to form a fund (BIX Fund) that provides Impact-based Pre-finance for Essential Household Products and –Services. This fund is based on a pilot (Envirofit Carbon Holdings One or “ECHO”) developed in 2010 by Shell Foundation in association with Envirofit International (“Envirofit”) to proof the concept of Carbon-based Pre-finance for Envirofit cookstoves.

ECHO is wholly owned by Envirofit and is created as an SPV for the provision of aforementioned Carbon-based Pre-finance. By the end of 2013, Shell Foundation had funded ECHO directly USD 3.65 million grant support and in the course of 2013 Shell Foundation granted Stichting Cardano Development USD 1 million to provide grant support to ECHO, in order to get familiar with the details of portfolio, investment process and details of carbon pre-finance. Stichting Cardano Development has provided the USD 1 million received from Shell Foundation in accordance with the Memorandum of Understanding. Total grant funding provided to ECHO was USD 4.65 million, and the entire available funding has been invested in 17 different programs in mainly Sub-Sahara Africa.

If there is sufficient re-flow of investments back to ECHO, such funds will be used to invest in the junior tranche of BIX Fund B.V.

As there are no future liabilities, the Echo project will not affect the balance sheet of the Stichting.

CURRENT ASSETS

Receivables

	<u>31-12-2015</u>	<u>31-12-2014</u>
	€	€
3 Receivables from associated companies		
Current account Cardano Development B.V.	<u>418.011</u>	<u>475.142</u>

Stichting Cardano Development provided funding to have Cardano Development B.V. achieve her objectives. There have been no agreements made (in writing) in relation to the redemption of this receivable as well as interest and other certainties.

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4 Equity

	<u>31-12-2015</u>	<u>31-12-2014</u>
	€	€
Balance as at 1 January	15.162	445.201
Result for the year	-580.688	-430.039
Capital contribution TCX	1.200.000	-
Total	<u>634.474</u>	<u>15.162</u>

A substantial increase in capital for Stichting Cardano Development was funded by a € 1,2 million capital contribution from The Currency Exchange Fund N.V. ('TCX') The contribution is used for capitalizing TCX Investment Management Company B.V.

Repay of the capital contribution will occur as soon as TCX Investment Management Company B.V is no longer the fund manager of TCX Fund N.V.

5 Subordinated loans

	<u>31-12-2015</u>	<u>31-12-2014</u>
	€	€
	<u>2015</u>	<u>2014</u>
	€	€
Loan Cardano Holding B.V.		
Balance as at 1 January	898.685	900.000
Redemption	-	-1.315
Release	-98.685	-
Balance as at 31 December	<u>800.000</u>	<u>898.685</u>
Interest percentage	6%	6%

For the purchase of the participation in Cardano Development B.V. Stichting Cardano Development received a loan of € 1.000.000 from Cardano Holding B.V. in 2013. The grant pledged in 2015 was settled with the loan and therefore not paid in cash. The grant is not a release of interest due. The loan will annually bear interest on the principal amount at a rate of 6%.

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SHORT-TERM LIABILITIES

	<u>31-12-2015</u>	<u>31-12-2014</u>
	€	€
6 Other liabilities and accrued expenses		
Interest loan Cardano Holding B.V.	42.398	42.103
Audit fee (PWC)	9.076	9.075
Audit Fee (EY)	7.000	-
Accounting fee	1.750	2.000
	<u>60.224</u>	<u>53.178</u>

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NOTES TO THE STATEMENT OF INCOME AND EXPENSES

	<u>2015</u>	<u>2014</u>
	€	€
7 Income		
Grant Cardano Holding B.V.	<u>98.685</u>	<u>100.000</u>

The grant from Cardano Holding B.V. in 2014 was paid in cash. The grant pledged in 2015 was settled with the loan and therefore not paid in cash.

	<u>2015</u>	<u>2014</u>
	€	€
8 Other operating expenses		
General expenses	<u>10.237</u>	<u>14.329</u>

	<u>2015</u>	<u>2014</u>
	€	€
General expenses		
Audit fees	7.000	6.575
Accounting fee	2.020	6.908
Insurance premium	1.018	518
Bank expenses	199	328
	<u>10.237</u>	<u>14.329</u>

	<u>2015</u>	<u>2014</u>
	€	€
9 Financial income and expense		
Interest loan Cardano Holding B.V.	<u>-54.216</u>	<u>-53.938</u>

	<u>2015</u>	<u>2014</u>
	€	€
10 Share in result from participations		
Result from Cardano Development B.V.	<u>-614.920</u>	<u>-461.772</u>

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Related party transactions

Related party transactions are transfers of resources, services or obligations between related parties and Stichting Cardano Development, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of Stichting Cardano Development.

Cardano Development B.V.

Stichting Cardano Development is the single shareholder of Cardano Development B.V. Stichting Cardano Development has paid a share premium of € 1.200.000.

The Currency Exchange Fund N.V.

In 2015 TCX Fund N.V. funded Stichting Cardano Development with a capital contribution of € 1.200.000.

Cardano Holding N.V.

In 2013 Cardano Holding N.V. granted a loan to Stichting Cardano Development originally amounting to € 1.000.000. The amount to be redeemed is discussed annually.

Cardano Holding N.V. granted € 98.685 in 2015 to Stichting Cardano Development (note 7). Cardano Holding decides on its own initiative whether there is an annual grant. There is no obligation.

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OTHER NOTES

Average number of employees

During the year 2015 there were no employees at the company (2014: nihil).

OTHER INFORMATION

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1. Other information

Stichting Cardano Development is exempt from mentioning other information in accordance to Article 392 paragraph 5 BW 2.

The board of a foundation or association as referred to in Article 360 paragraph 3 is not required to add the information, referred to in paragraph 1 under b and c, to the financial statements and the annual report.

The auditor's report is included on the next page of this annual report.

Independent auditor's report

To: the Board Of Trustees of Stichting Cardano Development

Report on the financial statements

We have audited the accompanying financial statements 2015 of Stichting Cardano Development, Rotterdam, which comprise the balance sheet as at 31 December 2015, the statement of income and expenses for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Cardano Development as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The Hague, 7 October 2016

Ernst & Young Accountants LLP

signed by R.J. Bleijs